

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF KENTUCKY-OHIO GAS COMPANY)	
FOR APPROVAL OF A CERTIFICATE OF)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	CASE NO. 93-144
PIPELINE FACILITIES, APPROVAL OF)	
FINANCING AND APPROVAL OF SPECIAL)	
CONTRACT		

O R D E R

IT IS ORDERED that Kentucky-Ohio Gas Company ("KOG") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due within 20 days of the date of this Order.

1. What is the basis of the design and engineering of the pipeline?

2. What are the other facilities associated with the 15-mile pipeline? Explain in detail the location, capacity, and control system.

3. What will be the net increase in gas volume provided to Ashland Petroleum Company ("Ashland") after the construction of this pipeline, and what will be the minimum gas pressure at Ashland's meter station?

4. Provide the design of the cathodic protection ("CP") across the transmission lines and the integration pipeline and state whether there is any agreement between KOG and the transmission pipeline's operators in the design of the CP at the crossing lines.

5. Provide the bid documents if available.

6. Provide the qualifications of the contractor.

7. Provide the design and engineering of the meter stations, valve stations, odorizer, road crossings, and other related facilities.

8. Confirm the pipe's specifications and the maximum allowable operating pressure that was provided in your application.

9. What is the pressure on each supplier's transmission lines at the existing tap-on points?

10. Provide a topographical map showing the proposed integration line, Tennessee Gas Pipeline Company's ("TGP") meter, potential customers and Ashland's meter.

11. Is it possible to provide Ashland the additional volumes requested in the contract from the existing connection to the Columbia Gas Transmission Corporation line? If not, why?

12. Has KOG considered an alternative shorter route from the TGP transmission line to Ashland's meter station? If not, why?

13. Refer to Item 11, page 2, of KOG's application filed on May 7, 1993. KOG states that the volumes of gas to Ashland to be provided under this contract will not exceed the volumes authorized by the Commission in Case No. 92-018.¹ Provide the following information concerning the referenced volumes:

a. The volumes authorized in Case No. 92-018.

b. The volumes sold to Ashland, on a monthly basis, during calendar year 1992 and the first 4 months of 1993.

c. State the volumes of additional sales to Ashland that will result from the proposed construction.

d. State the dollar amount of additional revenues to be generated by the proposed construction. Include with your response all supporting workpapers for this revenue level.

14. Provide an amortization schedule for the proposed debt.

15. Explain in detail the basis for and provide all supporting documentation supporting the reasonableness of the 13 percent interest rate on the proposed debt.

¹ The Petition of Kentucky-Ohio Gas Company for Approval to Provide Natural Gas Service to Ashland Oil Company, Inc. and for a Certificate of Convenience and Necessity as Required by Administrative Case No. 297.

16. Refer to Item 3 of KOG's response filed on May 7, 1993 to the Commission's notice of filing deficiencies dated May 5, 1993. KOG states in Item 3 that it has no trust deeds or mortgages. Is KOG stating that all of its business indebtedness is unsecured? If not, provide copies of all security agreements. If all of the existing company debt is unsecured, explain how the 13 percent interest rate is reasonable in today's financing markets.

17. Provide a thorough discussion of any inquiries made by KOG of other financial institutions regarding the proposed financing. Include copies of any correspondence offering or rejecting a loan. If KOG has not attempted to obtain the required financing from any other sources, explain why it has not.

18. Provide an analysis of the cash flows of this project (standing alone) for each of the next 10 years.

19. Has KOG contacted any additional new customers that it might be able to serve if the integration line is constructed? If so, what is the amount of the potential additional revenues from these customers? What would be the additional cost to serve these additional customers?

20. Under the Pricing provision of Section III, subsection A, of the Ashland contract, is seller's cost of gas the same as that calculated quarterly in KOG's Gas Cost Adjustment filings? If not, why?

21. Although the contract heading describing the standby service that KOG is offering to Ashland denotes it as being "Firm

Standby Service," will the gas supplied pursuant to that contract provision actually be on a best efforts basis? Explain.

22. Under the pricing provision of the Standby Service Section of the contract, how will KOG and Ashland agree to the demand charge? Will that charge be based on KOG's cost to reserve the gas? Would there be any situations where Ashland's agreed demand charge would not cover all the costs of reserving standby volumes?

23. Did KOG consider including a price redetermination clause in its contract to prevent selling its service below market value at some point over the 10-year duration of the contract?

Done at Frankfort, Kentucky, this 10th day of June, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director